



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 30, 1999

H.R. 2884

A bill to extend energy conservation programs under the Energy Policy and Conservation Act through fiscal year 2003

As ordered reported by the House Committee on Commerce on September 29, 1999

SUMMARY

H.R. 2884 would extend the Department of Energy's (DOE's) authorities related to energy emergencies through 2003 and would authorize the appropriation of such sums as necessary for the operation of the Strategic Petroleum Reserve (SPR) for fiscal years 2000 through 2003. The bill also would authorize the Secretary of Energy to purchase oil from certain marginal wells if the price of oil falls below \$15 per barrel, subject to the availability of appropriated funds. This threshold price level, as well as the price to be paid by DOE for the oil, would be adjusted annually for inflation.

CBO estimates that implementing this bill would cost about \$1.4 billion over the 2000-2003 period, assuming appropriation of the necessary amounts. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2884 is shown in the following table. The costs of this legislation fall within budget function 270 (energy).

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
SPENDING SUBJECT TO APPROPRIATION						
SPR Spending Under Current Law						
Budget Authority ^a	160	0	0	0	0	0
Estimated Outlays	197	98	34	8	0	0
SPR Operations Projected at the 1999 Level:						
Proposed Changes						
Estimated Authorization Level	0	360	360	360	360	0
Estimated Outlays	0	232	328	352	360	128
SPR Spending Under H.R. 2884						
Estimated Authorization Level ^a	160	360	360	360	360	0
Estimated Outlays	197	330	362	360	360	128
SPR Operations Adjusted for Inflation:						
Proposed Changes						
Estimated Authorization Level	0	364	367	371	375	0
Estimated Outlays	0	234	333	360	372	135
SPR Spending Under H.R. 2884						
Estimated Authorization Level ^a	160	364	367	371	375	0
Estimated Outlays	197	332	367	368	372	135

a. The 1999 level is the amount appropriated for that year for the SPR development, operations, and management account.

BASIS OF ESTIMATE

In the absence of specified authorizations, CBO assumes that the \$160 million appropriated for the development, operation, and management of the SPR for fiscal year 1999 represents the level of funding needed to perform the functions authorized under current law. (This account does not include funding for purchasing oil for the reserve.) The table shows two alternative sets of authorization levels for fiscal years 2000-2003: one in which the funding for the SPR operations is not adjusted for anticipated inflation and a second that reflects an adjustment for inflation. For purposes of this estimate, CBO assumes that outlays for this account will follow historical trends.

In addition to continuing SPR operations, CBO estimates that H.R. 2884 would authorize the appropriation of about \$200 million a year over the 2000-2003 period for the purchase of oil

for the SPR. In the absence of an energy emergency, current law requires that appropriations for the purchase of oil for the reserve be authorized on an annual basis. This bill would provide such authority for fiscal years 2000 through 2003, subject to the terms and conditions in the bill. Specifically, if the market price of domestic oil decreases to an amount less than \$15 per barrel, adjusted for inflation, the Secretary of DOE could purchase oil from “marginal wells” as defined in the bill. The purchase price would be \$15 per barrel, adjusted for inflation.

CBO’s estimate of the cost of this provision is based on the expectation that oil prices could drop below the \$15 per barrel threshold in the bill. Under our current oil price projections, for example, we estimate that there is about a 35 percent chance that the annual average price of oil will be below the \$15 per barrel threshold in the bill in each of the four years. For purposes of this estimate, we assume that the amount of oil purchased in any year would be limited by the rate and type of oil that can be stored in the SPR and other technical factors. Our estimated cost of about \$200 million a year is equivalent to authorizing appropriations for the purchase of roughly 13 million barrels of oil a year.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2884 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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